Reduce or Eliminate Exclusionary Periods of Coverage for Pre-existing Conditions Under Your Group Health Plan, If You Have Creditable Coverage from Another Plan
You should be provided a certificate of creditable coverage, without charge, from your health plan when:

- You lose coverage under the plan,
- You become entitled to elect COBRA continuation coverage,
- Your COBRA continuation coverage ceases (you must request it before losing coverage or up to 24 months after losing coverage).

Without evidence of creditable coverage, you may be subject to a Pre-existing condition exclusion for 12 months (18 months for late enrollees) after you enroll in your coverage.

Prudent Action by Plan Fiduciaries
In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the plan ("fiduciaries"), have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit to which you are entitled under the plan or by exercising your rights under ERISA.

Enforce Your Rights
If your claim for a welfare benefit (which includes benefits in the event of sickness, accident, disability, death or unemployment) is denied or ignored in whole or in part, you have a right to know why, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time frames.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the plan and do not receive them within 30 days, you may file suit in a federal court. The court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits that is denied or ignored, you may file suit in a state or federal court. In addition, if you disagree with the plan's decision concerning the qualified status of a medical child support order, you may file suit in federal court.

If plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees.

Assistance with Your Questions
If you have any questions about the plan, contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the plan administrator, contact the nearest office of the Employee Benefits Security Administration (EBSA), U.S. Department of Labor, listed in your telephone directory; or write the Division of Technical Assistance and Inquiries, EBSA, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the EBSA.

Continuation Coverage Rights Under COBRA

This notice contains important information about your right to COBRA continuation coverage, which is a temporary extension of coverage under the Medical, Dental, Vision Plans and the HCFSA (collectively, the "Group Health Plans"). **This notice generally explains COBRA continuation coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it.**

The right to COBRA continuation coverage was created by a federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). COBRA continuation coverage can become available to you when you would otherwise lose your group health coverage under the Group Health Plans. It can also become available to other members of your family who are covered under the plan when they would otherwise lose their group health coverage. For additional information about your rights and obligations under the Group Health Plans and under federal law, you should review this SPD or contact the Plan Administrator.

What Is COBRA Continuation Coverage?
COBRA continuation coverage is a continuation of Group Health Plan coverage when coverage would otherwise end because of a qualifying event (listed below). After a qualifying event, COBRA continuation coverage must be offered to each person who is a "qualified beneficiary." You, your spouse and your dependent children could become qualified beneficiaries if coverage under the Group Health Plans is lost because of the qualifying event. (Please note that domestic partners are not eligible for COBRA continuation coverage but Morgan Stanley makes COBRA-like coverage available). Under the Group Health Plans, qualified beneficiaries who elect COBRA continuation coverage must pay the full cost for COBRA continuation coverage.

If you are an employee, you will become a qualified beneficiary if you lose your coverage under the Group Health Plans because one of the following qualifying events happens:

- Your hours of employment are reduced
- Your employment ends after 31 days of employment for any reason other than your gross misconduct
- Your employment ends within 31 days from the date you became U.S. benefits-eligible due to your *voluntary termination*

Note: If your employment is involuntarily terminated or you are released within your first 31 days of employment (for example, due to untruthful statements on your employment application), you are not eligible for continuation coverage through COBRA

If you are the spouse of an employee, you will become a qualified beneficiary if you lose your coverage under the Group Health Plans because any of the following qualifying events happens:

- Your spouse dies
- Your spouse's hours of employment are reduced
- Your spouse's employment ends for any reason other than gross misconduct
- Your spouse becomes entitled to Medicare benefits (under Part A, Part B or both), or
- You become divorced or legally separated from your spouse

Your dependent children will become qualified beneficiaries if they lose coverage under the Group Health Plans because any of the following qualifying events happens:

- The parent-employee dies
- The parent-employee's hours of employment are reduced
- The parent-employee's employment ends for any reason other than gross misconduct
- The parent-employee becomes entitled to Medicare benefits (under Part A, Part B or both)
- The parents become divorced or legally separated, or
- The child stops being eligible for coverage under the Group Health Plans as a "dependent child"

Sometimes, filing a proceeding in bankruptcy under Title 11 of the U.S. Code can be a qualifying event. If bankruptcy is filed with respect to Morgan Stanley, and that bankruptcy results in the loss of coverage of any retired employee covered under the Group Health Plans, the retired employee will become a qualified beneficiary with respect to the bankruptcy. The retired employee's spouse, surviving spouse and dependent children will also become qualified beneficiaries if bankruptcy results in the loss of their coverage under the Group Health Plans.

When Is COBRA Coverage Available?
COBRA continuation coverage will be offered to qualified beneficiaries only after the Plan Administrator has been notified that a qualifying event has occurred. When the qualifying event is the end of employment or reduction of hours of employment, death of the employee, commencement of a proceeding in bankruptcy with respect to the employer, or the employee's becoming entitled to Medicare benefits (under Part A, Part B, or both), the employer must notify the Plan Administrator of the qualifying event.

You Must Give Notice of Some Qualifying Events. For other qualifying events (divorce or legal separation of the employee and spouse or a dependent child's losing eligibility for coverage as a dependent child), you must notify the Plan Administrator within 60 days after the qualifying event occurs. You must provide this notice to:

Morgan Stanley Benefit Center
(877) 674-7411 (toll free)
www.morganstanley.com/benefits

When Is COBRA Coverage No Longer Available?
COBRA coverage will end on the earliest of the following dates:

- At the end of the applicable 18, 29 or 36 months of coverage continuation
- The last day of the month for which a premium payment is received
- The date the COBRA participant becomes eligible for Medicare

- The date the COBRA participant becomes covered by any other group health plan, if the new plan does not exclude or limit your coverage for pre-existing conditions as a result of employment, reemployment or marriage, or
- When your COBRA coverage was extended due to disability and there is a final determination that you are no longer disabled

What Happens to my COBRA Coverage When I Become Eligible to Enroll in Medicare?
When you become entitled to Medicare (regardless of whether you are enrolled), your coverage through COBRA ends on that date (unless you are entitled to Medicare because of end stage renal disease (ESRD) or kidney failure.

If you are eligible for retiree medical coverage, you will automatically be enrolled in retiree medical coverage under the Morgan Stanley Medical Plan. Your covered spouse or domestic partner and covered eligible dependents may continue their COBRA coverage for up to 36 months.

If you become Medicare-eligible while receiving COBRA coverage, you should enroll in Medicare Part B immediately since you are not entitled to a Special Enrollment Period when your COBRA ends. Additionally, you may receive a late enrollment penalty from Medicare if you enroll in Part B after your Initial Enrollment Period.

If you already have Medicare when you become eligible for COBRA**,** you may still enroll in COBRA. Medicare acts as the primary payer and COBRA as the secondary payer, so, for maximum benefits, you should stay enrolled in Medicare Part B. COBRA, as a secondary payer, may help fill the gaps in Medicare (if any) and offer benefits that are not available under Medicare, such as prescription drug coverage. Alternatively, if eligible for subsidized retiree medical coverage, it may be more cost-effective to enroll in that option. Contact the Benefit Center for more information.

How Is COBRA Coverage Provided?
Once the Plan Administrator receives notice that a qualifying event has occurred, COBRA continuation coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA continuation coverage. Covered employees may elect COBRA continuation coverage on behalf of their spouses, and parents may elect COBRA continuation coverage on behalf of their children. The election of COBRA must be made within 60 days following the date the qualified beneficiary's active coverage ends or by the date specified in the offer of COBRA coverage, whichever is later.

COBRA continuation coverage is a temporary continuation of coverage and may last for up to a total of 36 months when the qualifying life event is the:

- death of the employee
- employee becoming entitled to Medicare benefits (Part A, Part B, or both)
- your divorce or legal separation; or
- a dependent child's losing eligibility as a dependent child

When the qualifying event is the end of employment or reduction of the employee's hours of employment, and the employee' became entitled to Medicare benefits less than 18 months before the qualifying event, COBRA continuation coverage for qualified beneficiaries other than the employee lasts until 36 months after the date of Medicare entitlement.

For example, if a covered employee becomes entitled to Medicare eight months before the date on which his/her employment terminates, COBRA continuation coverage for his/her spouse and children can last up to 36 months after the date of Medicare entitlement, which is equal to 28 months after the date of the qualifying event (36 months minus eight months).

Otherwise, when the qualifying event is the end of employment or reduction of the employee's hours of employment, COBRA continuation coverage generally lasts up to a total of 18 months. There are several ways in which this 18-month period of COBRA continuation coverage can be extended, as described below. In all cases, COBRA continuation coverage ceases when the qualified beneficiary becomes eligible for Medicare.

1. Disability Extension of 18-Month COBRA Period
If you or anyone in your family covered under the Group Health Plans is determined to be disabled by the Social Security Administration and you notify the Plan Administrator in a timely manner, within the 18-month period, you and your entire family may be entitled to receive up to an additional 11 months of COBRA continuation coverage, for a total maximum of 29 months. The disability must begin before the 60th day of COBRA continuation coverage and must last at least until the end of the 18-month period of continuation coverage.

2. Second Qualifying Life Event Extension of 18-Month COBRA Period
If your family experiences another qualifying event while receiving 18 months of COBRA continuation coverage, your spouse and dependent children may receive up to 18 additional months of COBRA continuation coverage, for a maximum of 36 months, if notice of the second qualifying event is properly given to the Group Health Plans. This extension may be available to the spouse and any dependent children receiving continuation coverage if the employee or former employee dies, becomes entitled to Medicare benefits (Part A, Part B, or both), gets divorced or legally separated, or if the dependent child becomes ineligible under the Group Health Plans as a dependent child, but only if the event would have caused the spouse or dependent child to lose coverage under the Group Health Plans had the first qualifying event not occurred.

3. Cal-COBRA (Only Medical)
If you live in the state of California and receive medical coverage under the Kaiser HMO, you may be able to continue your employer-sponsored health coverage for 18 months through Cal-COBRA. However, if you meet Social Security's rules of disability, Cal-COBRA can generally be extended to provide medical coverage for a maximum of 29 months. You will be responsible for 110 percent of the total health insurance premium. For more information and to arrange coverage, contact the Kaiser HMO.

Domestic Partner Coverage
COBRA does not provide continuation coverage for your domestic partner and his/her dependents but Morgan Stanley offers similar coverage. Contact the Benefit Center for more information.

Retiree Medical Coverage
If you or any covered dependent are eligible to receive retiree medical coverage when you retire, you may defer retiree medical coverage and first elect continuation coverage under COBRA instead. When your COBRA coverage expires, you may elect to begin coverage for yourself and any covered dependent under the Retiree Medical Plan. Coverage must be continuous. If you waive retiree medical coverage for a reason other than electing COBRA coverage, you will not be able to elect it at a later date. In addition, you must be continuously covered under Morgan Stanley's COBRA coverage in order to elect Morgan Stanley retiree medical coverage when COBRA expires.

If You Have Questions
Questions about the Group Health Plans or your COBRA continuation coverage rights should be addressed to the Group Health Plans contact listed below. For more information about your rights under ERISA, including COBRA, the Health Insurance Portability and Accountability Act (HIPAA), and other laws affecting group health plans, contact the nearest Regional or District Office of the U.S. Department of Labor's Employee Benefits Security Administration (EBSA) in your area or visit the EBSA website at *www.dol.gov/ebsa.* (Addresses and phone numbers of Regional and District EBSA Offices are available through EBSA's website.)

Keep Your Plans Informed of Address Changes
In order to protect your family's rights, you should keep the plan administrators informed of any changes to the addresses of your family members. You should also keep a copy of any notices you send to the plan administrator for your records.

Group Health Plans Contact Information
Morgan Stanley Benefit Center
PO Box 563975
Charlotte, NC 28256-3975
(877) MSHR-411 (877-674-7411) (toll-free)

Your Rights to Health Insurance Portability under HIPAA

If you terminate participation in the Medical Plan, including terminating COBRA coverage, federal law may affect your medical coverage if you later enroll or become eligible to enroll in medical coverage that excludes coverage for preexisting medical conditions.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) limits the circumstances under which coverage may be denied or excluded for medical conditions that you experienced or sought treatment for during the six months prior to the time you enroll in a Group Health Plan (known as a "Pre-existing condition"). Under the law, a Pre-existing condition exclusion generally may not be imposed for more than 12 months or 18 months for a late enrollee. This means that you will receive treatment under the new plan for conditions unrelated to your Pre-existing condition, but benefits may be denied or excluded for your Pre-existing condition until the end of the 12- or 18-month waiting period. However, the 12- or 18-month exclusion period is reduced by the length of time for which you were covered under a